



# Korea Economy Update

by State Trade Representative Korea Office

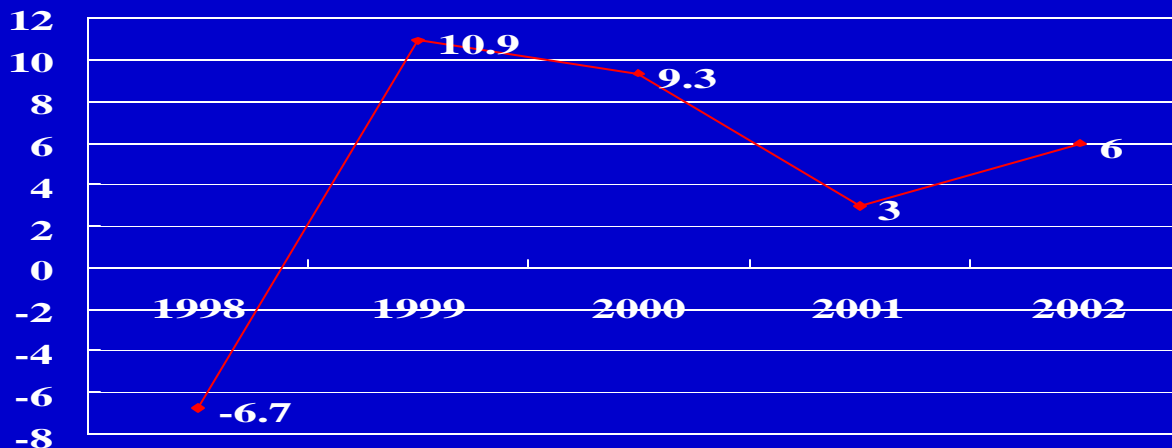
November 2002



# I. Korea Economy Overview

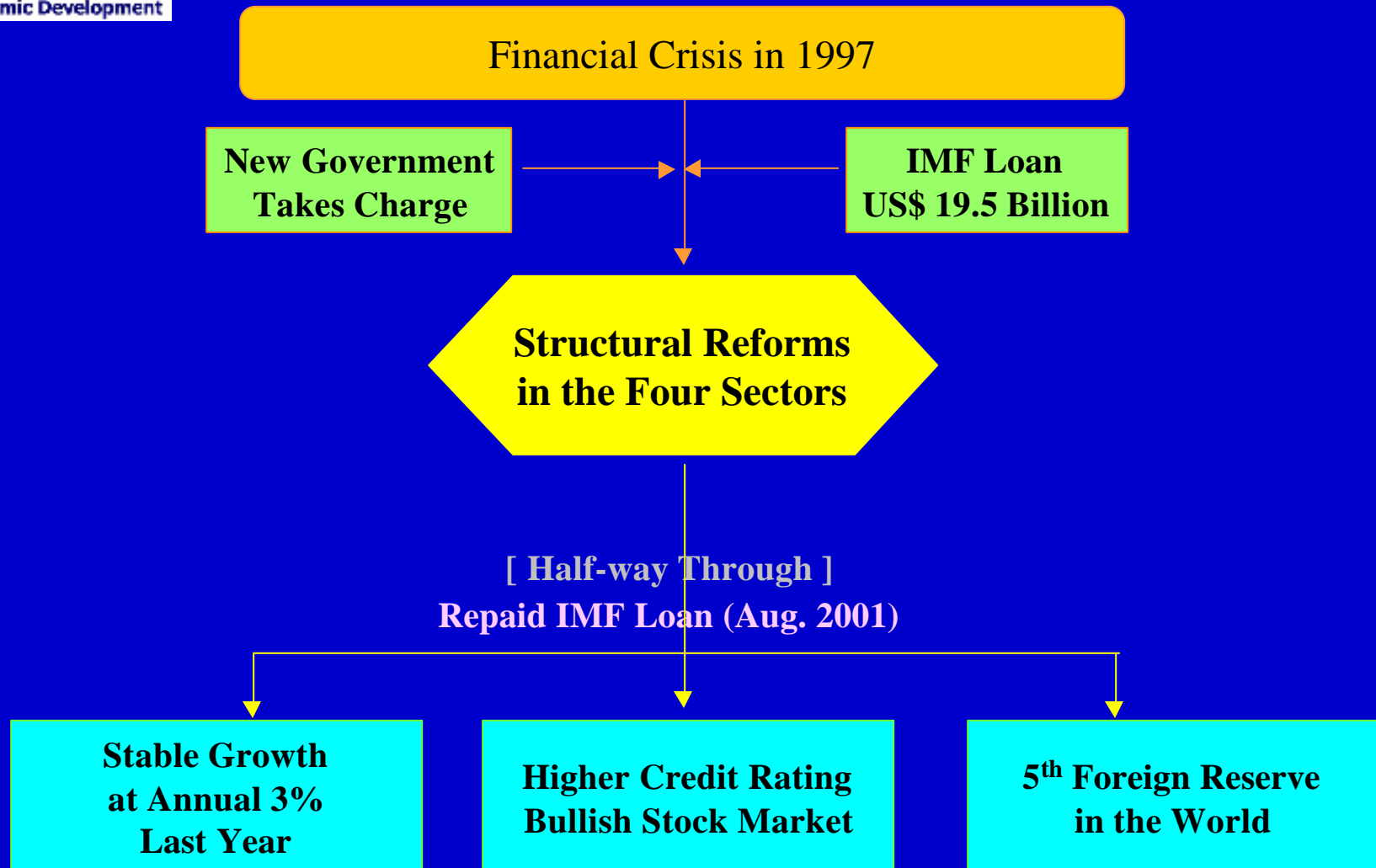
- A major rebound in 1999 after a severe recession in 1998.
- Returned to normal during the 1<sup>st</sup> half of 2000.
- Economic slowdown since 4<sup>th</sup> quarter of 2000, mainly due to shrinking exports.
- The shock of the September 11 events in the U.S. continued to trouble Korean economy.
- 6% growth rate for the Korean economy this year is expected although a delay in the global economic recovery and looming threats of an US-Iraq war are magnifying uncertainties.
- The Organization for Economic Cooperation and Development (OECD) said “The Korea’s economy will grow by 6% in 2003.”

Trend of GDP Growth by Quarter

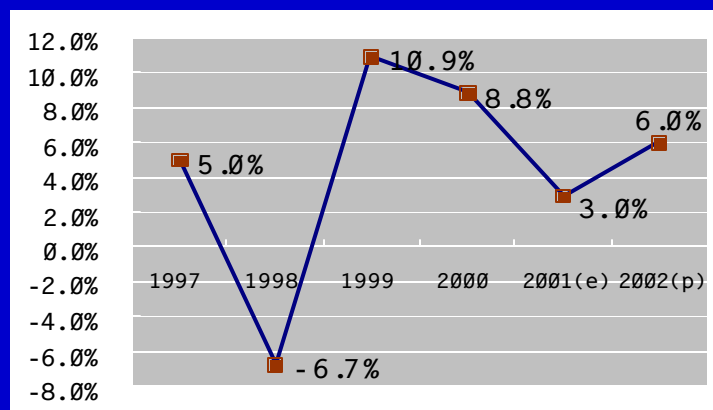


(Source : Bank of Korea)

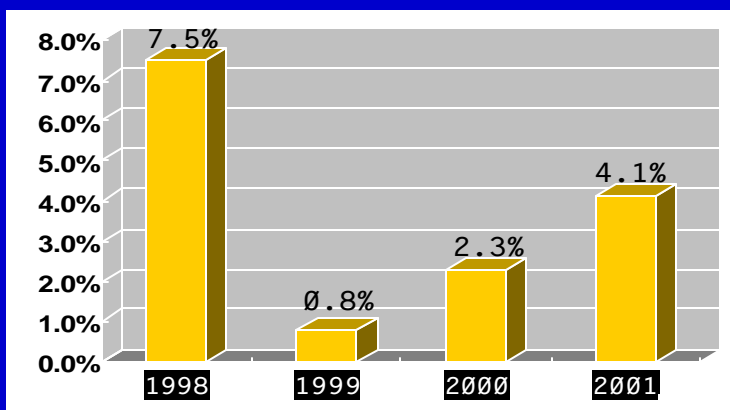
## II. Korea's Achievements of the Past Four Years



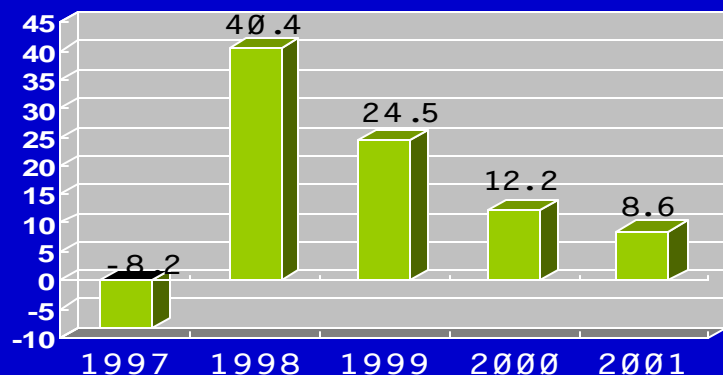
# III. Turnaround of Macroeconomic Activities



**GDP Growth Rate**

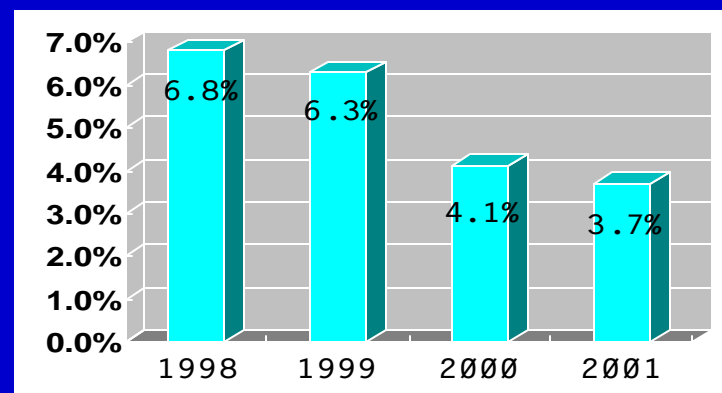


**Consumer Prices**



**Current Account Balance**

(US\$ billion)



**Unemployment Rate**

(Source : Ministry of Finance & Economy, Korea)



## IV. Presidential Election

- On December 19, Koreans will elect their next president, who will lead the nation for the next five years.
- Campaigning for the Dec. 19 presidential election officially began on Nov. 28 with anti-corruption, north Korea and political reform topping the election agenda.
- Five hopefuls registered their candidacy with the National Election Commission. The election is widely considered a close battle between reformist Roh Moo-hyun and conservative Lee Hoi-chang.
- Roh, stand-bearer of the pro-government millennium democratic party (MDP) saw his popularity surge following his successful alliance with Chung Mong-joon of National Alliance 21. He is running 7-9 percents ahead of Lee of the majority grand national party (GNP), according to the recent poll.



## V. Korea : Toward “A”-Level Rating

- Fitch Ratings today placed the long-term sovereign ratings of South Korea on Rating Watch Positive, which, in the majority of cases, is resolved through a ratings upgrade within a relatively short period. Continued progress with financial and corporate restructuring in recent years has been an important factor in maintaining dynamism in the Korean economy. - May 13, 2002, Fitch IBCA
- The bigger-than-expected upgrade by Moody's ... will allow companies and the government to borrow more cheaply and lift investor confidence, drawing more capital into Asia's third-largest economy. - March 28, 2002, Bloomberg
- Moody's Investors Service has raised South Korea's credit rating by two notches to "A3". ... This action is supported by a marked reduction in Korea's vulnerability to external shocks over the medium-term and improvement in the country's external debt level and external financing profile. - March 28, 2002, Moody's
- While world markets still are staggering from the aftershocks of Sept. 11 and the economy of Japan is slumping ever deeper into recession, South Korea is bucking the trend. The economy has proved more resilient to the repercussions of the terrorist attacks than that of almost any other industrialized nation. - January 14, 2002, LA Times



## Appendix: Economic Indicators over last 5 years

Classification	1998	1999	2000	2001	2002
GDP Growth (%)	-6.7	10.9	9.3	3.0	6.0 (p)
CPI (%)	7.5	0.8	2.3	4.1	2.6 (Jan.-Oct.)
Fiscal Account (trillion won)	-18.8	-13.1	6.5	7.3	28.1 (Jan.-Sep.)
Public Debt / GDP (%)	18.1	20.4	21.3	22.4	-
Foreign Reserves (US\$ billion)	48.5	74.0	96.2	102.8	117.0 (Oct.)

(Source : Ministry of Finance & Economy, Korea)

